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Prof. Dr. Serdar Ongan

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PREFACE

Ask someone to tell you the story of the blind men and the elephant, and they'll tell you a tale of six men, each of whom touched a different part of an elephant, unable to see what their hands were resting on. Asked to describe what they had touched, the man who felt the side of the elephant said, "I touched a wall," and the man who felt the elephant's tusk said, "I touched a spear." The six men argued among themselves-- was it a snake, a cow, a piece of rope? Only when they worked together, sharing their different ideas and experiences, were they able to discover the truth.

Gardy & Brinkman, 2003

The National Academies defines interdisciplinary research as “a mode of research by teams or individuals that integrates information, data, techniques, tools, perspectives, concepts, and/or theories from two or more disciplines or bodies of specialized knowledge to advance fundamental understanding or to solve problems whose solutions are beyond the scope of a single discipline or area of research practice.” The fields of business and economics are very suitable for interdisciplinary research. For this reason, we decided to create an international conference to feature business and economics research that spans more than one discipline. We are very happy to present to you the proceedings of the eighth International Interdisciplinary Business-Economics Advancement Conference. We thank our contributors and reviewers for making IIBA a truly global conference. The provided USB-stick also includes the abstracts and full papers along with the conference program.

The IIBA Conference aims to bring together researchers, scientists, scholars and scholar students to exchange and share their experiences, new ideas, and research results regarding all aspects of Business and Economics, and to discuss the practical challenges encountered in the field as well as the solutions adopted. We are proud to be sponsored in the United States by the University of South Florida Sarasota-Manatee. We would also like to thank Turkish Airlines for their generous sponsorship. We extend our gratitude also to our Scientific Relations Coordinator, Mr. Muhittin Cavusoglu for his great contributions to the success of the Conference and creation of these proceedings.

Most importantly, we would again like to thank all of our authors and reviewers for their contributions, without which the IIBA Conference literally would not be possible.

Co-Editors:

Prof. Dr. Cihan Cobanoglu

Prof. Dr. Serdar Ongan

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Management of Innovation and Intellectual Property: Technology Transfer and Licensing

Parameshwar Iyer

Indian Institute of Science, Bangalore, India

Abstract

The Indian Institute of Science owes its foundation to the practical vision and insightful dreams of a great visionary, Sir Jamsetji Nusserwanji Tata. Though Sir Tata did not live to see his vision come true, his heirs and associates toiled hard to turn his dreams and plans into reality in the year 1909. The Institute started functioning in 1911, with 2 Departments: General and Applied Chemistry, and Electrical Technology. The Department of Organic Chemistry was opened a few months later in the same year. In March 1912, the Institute had 24 students on its role. Today, the Institute boasts of 45 Departments and Centres, with over 500 faculty, and over 4500 students. Ever since its inception, the Institute lay balance emphasis on the pursuit of basic knowledge in Science and Engineering, as well as on the application of its research findings for industrial and social benefits. During the first quarter century of its formative period (1909 to 1933), the Institute embarked upon several pioneering scientific and technical investigations, a tradition that is continued to this day. In the words of its founder, Sir JN Tata, the objects of the Institute are “to provide for advanced instruction and to conduct original investigations in all branches of knowledge as are likely to promote the material and industrial welfare of India”. What has been remarkable in the historical profile of IISc through the past century is the balance in its various domains of activities: research, education, development, international outreach, and societal actions. Naturally, over the years, the creation of new knowledge has been accompanied by the application of that knowledge to generate industrial wealth, and to ameliorate the conditions in the villages. The Office of Intellectual Property and Technology Licensing (IPTeL) at the Indian Institute of Science is geared towards identifying and sourcing the IP at IISc, facilitating the steps towards protection of the IP, continuously safeguarding and prosecuting the IP, and finally enabling the commercial and social utilization of the IP, through appropriate means of licensing and technology transfer.

The specific activities and roles of IPTeL are as follows:

- Identifying the sources of Intellectual Property at the Indian Institute of Science;
- Inviting Invention Disclosures from the Inventor(s);
- Evaluation and Assessment of the above Invention Disclosure(s);
- Assisting the Inventor(s) with prior art search;
- Assigning appropriate Patent Attorney(s) to assist the Inventor(s) in drafting claims and specifications for the Invention(s);
- Informing the Inventor(s) of the various stages of progress during the filing, prosecution, and maintenance of the Intellectual Property;
- Assisting in the efforts of the Inventor(s) towards Technology Licensing, and other forms of Technology Transfer to bring the Invention to “commercial” and/or “social” practice.



Some of the interesting “inventions” from the Institute, and the accompanying “technology transfer” practices are highlighted in this paper. These include:

- IISc in Historical Perspective: The Earliest Patent Filed by the Institute.
- Portable Washing Machine for Rural Areas: A portable washing machine comprising a drum assembly comprising at least one drum and a shaft 31 with a sprocket 21, the drum is provided with washing brushes for brushing clothes, and a means of transport comprising a frame 3 upon which the drum assembly is mounted on rear side, a seat 13 placed onto the frame 3, pedals 18 mounted on a pedal rod 19 fitted onto front side of the frame 3 with bearings, a sprocket 20 is fixed on the pedal rod 19, wherein said sprocket 20 is connected to the sprocket 21 on the shaft 31 of the drum assembly with a closed chain for rotating the drum assembly. Inventor: Prof. Amaresh Chakrabarti
- Flood-resistant Septic Tank: The present invention is in relation to an integrated sanitation system and assembly for effective treatment of wastewater comprising a septic tank, filtration chamber, and a toilet and bathroom chamber mounted on the septic tank for habitations with high water table and prone to flooding and tidal waves. In addition the invention also provides a process for treating wastewater. Inventor: Prof. Monto Mani
- Idea-Sustain: This invention generally relates to the field of Computer Aided Design (CAD). Further this invention relates to the capture, maintenance and reuse of product and process information in Product Life Cycle Management (PLM). Development of a suitable product model schema and a framework for real time capture and reuse of evolving product information is embodied in the present invention. The framework consists of the following entities: product structure, snaps, events, versions, version tree and audio-video clips. These entities are used in conjunction to capture the rationale in the design process, which consists of what happened during this process (the outcomes of the process) and the reasons behind them (the way in which the outcomes came about). In the present invention, the outcomes are captured in terms of the temporally and causally linked version trees with the product structure and associated geometry and other information. The reasons are captured implicitly in terms of the video clips and by providing the context of these clips by placing them between relevant snaps. Inventor: Prof. Amaresh Chakrabarti
- Optical nano sensor for early stage detection of bactocera olea infestation: The invention provides an optical nanosensor for early detection of pheromones of the olive fruit fly. The optical nanosensor includes a functionalized surface, amount for embedding the functionalized surface and a perforated housing for replaceably retaining the mount. After the detection of the pheromone, the user may be alerted of an impending pest attack and the user can then take appropriate pest control measures. Inventor: Prof. Santanu Bhattacharya
- Electrical Gradient Augmented Fluid Filtration Apparatus: The invention provides a method for an electrical gradient augmented fluid filtration. The method includes directing the fluid through a first filtration step to remove the coarse impurities. The



fluid is then subjected to an electrical gradient for a predetermined time duration to obtain a filtrate. The filtrate is then passed through a second filtration step to obtain an impurity free fluid. An apparatus for electrical gradient augmented fluid filtration is also provided. The apparatus is portable and provides for sub-micron particle filtration. Inventor: Prof. Sanjiv Sambandhan

- **Patient Transfer Device:** The Present invention provides a subject transfer apparatus includes a subject transferor 100 and a subject-resting platform 200 mounted with a subject-resting support member 201. The said subject transferor 100 with a plurality of prongs 116 is arranged to extend through the subject-resting support member 201, by initially allowing an intervening space between the subject and the movable subject transferor 100 and thereafter establishing a contact with the subject-resting support member 201, to lift and receive said subject from said subject-resting support member 201. Thus the transfer apparatus of the present invention is configured to transfer the subject from one movable platform to another without a need for altering the posture of or touching the subject, during the transfer. Inventor: Prof. B. Gurumoorthy
- **Electrochemical Test Cell for In Situ X-ray Diffraction Investigation of Aqueous Batteries:** The present disclosure provides an aqueous electrolyte based electrochemical test cell apparatus for in situ X-ray diffraction study of aqueous batteries, wherein the apparatus can include (a) a top body; (b) a centre body having a recessed portion that defines a volume for containing an electrolyte and a working electrode support on which a working electrode is mounted; the centre body further comprising means for mounting a reference electrode in close proximity of said working electrode; (c) a bottom body, and (d) a counter electrode disposed between said center body and bottom body. The in-situ X-ray electrochemical cell structure allows for continuous monitoring of the structural changes in electrode materials during charge discharge cycles over wide range of Bragg angles. Inventor: Prof. A .K. Shukla

Keywords: technology transfer, licensing, innovation



On the Changing of Government's Regulation on Tourism Scenery (spot) of China Which is Based on Public Resources

Hong Wang

Hainan University, China

Abstract

The article reviews the history of the changing of our government's regulation on tourism scenery (spot) which is based on the public resources by literature analysis and divides the history into three stages: the first stage is to build up the regulation system which was focus on the enhancement of protection of resources ; the second stage is to strengthen the regulation which was focus on the improvement of the protection of resource ; the third stage is to improve the regulation system which was focus on promoting the balance of resource protection and resource development. Based on the authentic analysis of the content and achievement of the three stages of the government regulation on tourism scenery (spot) , the author points out the law of the regulation and find out the trend of the changing of government's regulation is that more attention needs to be added to the social value of the public resources of the tourism scenery (spot) ; more laws needs to be enacted to delimit the relationship between the ownership and the operation right of the public resources in the tourism scenery (spot).

Keywords: tourism sceneries, government regulation, regulation on the tourism scenery

Literature Review

Public resources-based tourism scenery(spot) which is a tourism object provided to tourist and based on the sceneries of native and nature or historical remains is one of the three polar industries of tourism. It is no doubt that the government regulation has important effect on the public resources-based tourism scenery(spot).

Scholars outside China analysis the question about government regulation on public resources-based tourism scenery(spot) from three aspects: public choice, stakeholders and public policy. The school of public choice stresses on the necessary of government regulation. The school of stakeholders emphasizes the effective involvement of manager, operator and community residents under the private system. The school of public policy underlines that it is important for the government to use public policy to implement the regulation. Researchers in China look into this field from different aspects, mainly, the system of management, the mode of the operation, the relationship between ownership and the right of operation, the building of related laws and legislations. The conclusions of the academics have apparent differences. For example, as far as the regulation of public resources-based scenery(spot) is concerned, the views of the school of strengthen-regulation and the school of deregulation, the school of proper right circulation and the school of national park are completely conflicting.

The theoretical research about the government regulation on public resources-based scenery(spot) in China has close relationship with the practical development of the industry



in different stages. At the beginning, the researches were mainly focus on the protection of the resources and the sustainable development according to the serious damage to the resources; With the emphasis on the economical value of tourism industry, studies mainly concentrated the effective development, the separation of ownership and operation right and the transfer of the operation right; Later because more and more questions emerged in the developing management of the scenery(spot), discusses were centralized on the effective protection during the process of developing. And with the spring up of private economy under the background of the accession to the WTO of our country, the contradiction between the development and protection of the sceneries and the contradiction between efficiency and equity in the operation of the scenery became more and more obvious (Wen-zhi, 2007). In the recent five years, the examinations in the field of tourism scenery(spot) of China are mainly focus on the transfer of the tourism scenery, the making of the tourism scenery price and the protection of the resources (Liu-ming, 2009; Ming & Shi, 2006)

The research context above shows that: the public mission of the public resources-based scenery(spot) in China in the development of economy and social life is a kind of important limiting factor to the government regulation on it. After 30 years of revolution and opening up transition, the economy and society have changed to a new stage, under the background of the transfer from survival society to developing society, (Fulin, 2010) it is very necessary to make more macro and empirical analysis on this topic.

The Course of the Change of the Government's Regulation on the Tourism Scenery(spot) Which is Based on Public Resources in China

According to the foal point of the regulation content of our government on the public resources- based tourism scenery(spot) during the process of transition. The government regulation can be divided into the following three stages:

The stage of the building up of the regulation which was focus on the strengthen of the resources protection (1978---1984)

Before 1978, China strengthened the protection of natural resources by the form of founding leading group of environment protection, announcing the protection emphasis of animals, establishing natural protection areas etc. After the policy of revolution and opening up, the inbound tourism developed continuously, under the background of the constant development of tourism, from 1978, our country built up the regulation which was focus on the strengthen of the resources protection.

The main content of the government regulation on the tourism scenery(spot)which is focus on public resources in China (1978---1984)

(1) Building up the management system of tourism scenery(spot)

In 1978, the construction committee of China proposed the building of the country system of tourism scenery(spot), implied the sub-level management of national, provincial and city(county). In 1979, the state council provided that the ministry of construction (the general state of construction at that time) taking in charge of the building and maintain of the tourism scenery(spot).

(2) improving the management institution of the protection and utilizing of the tourism scenery(spot)

Firstly, improve the related laws of the protection of the resources. Secondly, integrate into the international system of resource protection proactively. Thirdly, Strengthen the concept of investigation of tourism scenery resources. At last, specific regulation was carried out according to the phenomenon of damage of resources.

The performance of the government regulation on tourism scenery(spot) which is based on public resources in China (1978---1984)

After the government regulation of this stage, the resource protection of the tourism scenery(spot) which is based on public resources of our country had been entered on the right track gradually. In 1982, the state council promulgated the first 44 national important tourism sceneries of our country. In 1983, after the state council posted several times to require the protection and management of the Hangzhou West Lake Tour Scenery, the Lushan Tourism Scenery and the Lishan Tourism Scenery. Every district of China had taken measures to close the mountains quarries, clean up graves, remove the illegal buildings, retreat lakes, retreat forests, and the resources of the tourism scenery(spot) which is based on public resources had been protected effectively. However, the protection work of this stage was limited by the deficiency of the government fund on resource protection.

The stage of the intensifying of the regulation which focused on the perfection of the protection of resources (1985---1998)

After a period of development, the effect of development of the tourism scenery(spot) had been increased, the national management system had been built up and the protection work of the tourism scenery(spot) which is based on public resources had been strengthened.

The content of the government regulation on tourism scenery(spot) which is based on public resources in China. (1985---1998)

- (1) Building up the three-level management institutions of tourism scenery(spot)
- (2) Strengthen the resource protection regulation by the perfection of the related protective regulars and documents

The performance of the government's regulation on tourism scenery(spot) which is based on public resources. (1985-1988)

- (1) The protection and management level of the tourism scenery(spot) which is based on public resources was increased.
- (2) The performance of the protection of resources of the tourism scenery(spot) which is based on public resources were restricted.
- (3) The development of the tourism scenery(spot) which is based on public resources were limited by the dispersion of the management power.

The stage of the improving of the regulation which focused on the coordinated development of the resource protection and development

In 1998, the tourism industry was made the growth point of the economic of China by the central government. The commercial value of the tourism scenery(spot) as a kind of economical resources became more and more prominent. With the strengthen of the



developing of the tourism scenery(spot), the contract between developing and protection became more and more serious. The government's regulation on the tourism scenery(spot) which is based on public resources are mainly focus on the coordination of protection and development.

The content of the government regulation on tourism scenery(spot) which is based on public resources (1999 till now)

- (1) Building up the level management system of the tourism scenery(spot)
- (2) Building up the level identifying and approving institution of the tourism planning unit
- (3) Promoting the development of tourism scenery(spot) by building up related laws and legislations
- (4) Regulating on the price of the tourism scenery(spot)

Te performance of the government's regulation on tourism scenery(spot) which is based on public resources (1999till now)

- (1) Successful cases emerged in the practice of the separation of ownership and the operation right.
- (2) The operation of the tourism scenery(spot) which is based on public resources was made more standardized
- (3) Many problems were still needed to be resolved in the regulation on tourism scenery(spot) which is based on public resources

The Law of the Change of the Government's Regulation on Tourism Scenery (spot) Which is Based on Public Resources of China

The motive of the change of the regulation is the increasing prominence of the economic interests of the resources

The impletion of the policy of reform and opening-up released the potential of the overseas tourists; the deepening of the reform increased the disposable income and spare-time of the Chinese residents and released the potential of the demand for the domestic tourism. The flourish of the tourism market formed the huge demand market for the tourism scenery(spot) which is based on public resources. The economic interest of the tourism scenery(spot) became more and more obviously.

Professor Chi fulin of the China(Hainan) institution of reform and development divided the development of the initial stage of the socialism into three stages according to the consumer structure, economic structure and the social structure. The three stages are: the survival stage, the developmental stage and the participatory stage. Under this background, the increasing prominence of the economic interests of the tourism scenery(spot) which is based on public resources pushed the change of the government's regulation of China: first it was clarified that the method of combine development and protection should be used to the resources of the tourism scenery(spot) which is based on public resources and it confirmed the promotion effect of the developing on protection; second, in order to resolve the problem of the system restrains in developing, the innovation was carried out in various regions, the effective departure of the ownership and the operation right foster the effective

developing of the resources. At last, the assessment standards of level A was posted in view of the problems in the tourism scenery(spot) market in order to make the developing and operation of the tourism scenery(spot) market standardized.

The bottleneck of the change of government's regulation is the legal separation of the ownership and the operating right

The market of the tourism scenery(spot) which is based on public resources has externality, the government should regulate on the protection of the resources and environment on the basis of professional and scientific analysis to make the related enterprise and consumer bear the cost of the externality of the damage, so the resources of the tourism scenery(spot) can be utilized sustainable and the environment can be protected effectively; At the same time, the government should encourage and lead the operation of the tourism scenery(spot) which is based on public resources to promote the positive externality of tourism and other industry. The government excises the ownership of tourism scenery(spot), it should promote the protection and reasonable development of the resources of the tourism scenery(spot) which is based on public resources. The corporation exercises the right of operation, it should satisfy the object of economic and social value of operation. But in the process of China reform, the relationship between the ownership and operation right of the tourism scenery(spot) is unclear, the problems of differentiation lack between government and enterprise will lead to the over development of the tourism scenery(spot), low efficiency of development and the damage of unsustainable development of the resources. When the innovation of separation of ownership and operation right existed in practice, it would endanger the question of the separation of the two rights. The tourism scenery(spot) which is based on public resources has the property of public good, just as the following tablet can show:

Table 1: The Property of the Public Good on China Tourism Scenery (Spot) Which is Based on Public Resources

	Charge	Free of Charge
Crowded time	Competitive、 exclusive (private good)	Competitive、 non-exclusive (quasi-public good)
Non-crowded time	Non-competitive、 exclusive (quasi-public good)	Non-competitive、 non-exclusive (pure public good)

The Trend of the Government's Regulation on Public Resources Which is Based on Public Resources

More attention on the social value of the resources of the tourism scenery(spot)

After 30 years of transition, China has entered a developing society, in developing society, the developing right of people become the critical point, the whole development of the fair development of mankind should try to be carried out. Under the background of developing society, the conflict between the fast increase of public requirements and the lack of public goods become more and more prominent. The government's regulation should pay attention to the developing right of the humankind. the government's regulation on tourism scenery(spot) which is based on public resources should pay more attention to let the civil



people gain interest in the development of tourism. Under the background of developing society, the government's regulation on tourism scenery(spot) should pay attention to the conflict between the fast economic growing and the restrain of the resource environment and promote the sustainable developing mode.

The law definition of the relationship between the ownership and the operation right of the resources

If we require all the tourism sceneris(spots) which are based on public resources run for free under the developing level of the economy and society of China now and the fund be provided by nation financial, it will be unpractical and can not be carried out. During the development, the unity of developing and protection should be emphasized to promote the sustainable development of the tourism scenery(spot).

As above, in the practice of the government's regulation on tourism scenery(spot) which is based on public resources, many kinds of mode innovation has been immerged, the core point of these modes is the separation of the ownership and the operation right. But this kind of innovation was implied without law basis and it brought policy crises of the operation. Besides, in the development of these modes, the state fund will wash away easily because of the lack of related laws and institutions, and this will lead to the problems of the absence of the protection supervisor ect and the limitation of the sustainable development of these mode. We should carry out related laws and institutions and define the right and responsibility of the ownership and operation, provide laws for these innovation and promote the reasonable developing and effective protection of the tourism scenery(spot) which is based on public resources.

At the same time, when the definition of the relationship between ownership and the operation right is clear, the right and responsibility of the department of the manage organization of different level will be explicit and the unequivocal of the operation right will push the resolve of the compartmentalization in the regulation of tourism scenery(spot).

Conclusion

The change of the government's role on tourism scenery(spot) which is based on public resources showed that the regulation was carried under the background of China reform and according to the requirement of economic development. Because of the limitation of the transition of the government, the question of seeking department interest or local interest infected the performance of the government's regulation. With the change of the society developing stage and the promotion of the transition, the government's regulation on tourism scenery(spot) should specify the line between government and market, make the regulation on market failure and promotion of the market-oriented as the government's goal, promote the separation of the government and enterprise and the sustainable development of tourism industry.

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Student Preferred Methods of Instruction Survey for Enhancing Teaching Practices

John N. Mellon

Misericordia University, USA

Abstract

This survey research collected and analyzed empirical data revealing student-preferred methods of instruction concluding that as students gain more academic credits noted by their class rank of freshman, sophomore, junior and senior their preferred method of instruction did not change. The top three ranked methods of instruction were 1. In-Class Exercises, 2. Lecture/Discussion and 3. Guest Speakers. Completed surveys n=2255. The Statistical Package for the Social Sciences (SPSS) was used for statistical analyses, the chi-square to test significance. A major utilization of the survey research results can be for faculty to analyze their current methods of instructions to student preferred methods of instruction.

Keywords: student-preferred methods, instruction, teaching practices



A Case Study of Supply Chain Transportation Emissions

Nancy Landrum

Loyola University Chicago, USA

Abstract

Companies examine greenhouse emissions throughout operations and the supply chain to identify hot spots to target for emissions reductions. This study measured the greenhouse gas emissions environmental impact of acquisition of raw materials for a local brewery. The emphasis of this study was on upstream transportation emissions associated with acquisition of raw materials to the brewery. Three recipe scenarios were calculated using life cycle assessment: (1) US-only ingredients, (2) UK-only ingredients, and (3) a combination of US and UK sourced ingredients. The results show that mode of transit for acquisition of raw materials was the determining factor for greenhouse gas emissions, not distance. In the US-only scenario, raw materials are transported via truck while in the UK-only scenario, raw materials are transported via truck and cargo ship. We found that acquisition of raw materials solely from the US versus those solely from the UK produced little difference in greenhouse gas emissions even though the difference in miles was significant. Emissions from truck transit are significantly greater than emissions from cargo ship transit, thus the UK-only scenario which utilized less truck transit and more cargo ship transit was similar to the US-only scenario which utilized only truck transit. This study is of significance to companies seeking ways to reduce greenhouse gas emissions throughout the supply chain. This study is also of significance to those who consider local purchases or calculation of “food miles” as a determinant of greenhouse gas emissions in the supply chain when, in fact, mode of transit is far more impactful than distance.

Keywords: life cycle assessment (LCA), greenhouse gas emissions, transportation, brewery, environmental impact, supply chain, sustainability



Case Study: Public Relations Strategies That Increase Chinese Tourism to Los Angeles

Christine E. Mellon

Wilkes University, USA

Abstract

This paper provides an overview of a case study where public relations strategies were implemented by the Los Angeles Tourism and Convention Board to help increase Chinese tourists to the city and surrounding areas in an effort to boost the economy. Los Angeles County was lagging behind other U. S. cities in capturing their share of tourism dollars while marketing initiatives and social media technologies were being implemented by other destinations with greater success. Theoretical foundations into public relations strategies were reviewed in this paper and three research questions were asked. First, what public relations strategies were considered in this case? Second, what planning initiatives and technologies were used in this case? And third, what public relations strategies worked? The overall research design is a qualitative case study with a methodology that focuses on research and interviews. The data analysis was conducted in a narrative format and key results focus on how branding and buying space technologies were implemented in this case. The findings suggest that these strategies can successfully increase tourists to U. S. markets. This research provides public relations techniques that can be utilized by other U. S. cities to increase tourism and hospitality.

Keywords: public relations strategies, Los Angeles Tourism, Chinese tourism



Dog Acquisition in a Non-tradition Market: A Focus on Adoption

Courtney Bir, Nicole J. Olynk Widmar, and Candace C. Croney

Purdue University, USA

Abstract

In the United States dogs are a popular companion, with over 60.2 million households including a dog (American Pet Products Association (APPA), 2017). The pet industry, which includes pet food, supplies, over the counter medicine, veterinary care, live animal purchasing and pet services such as grooming and boarding, is significant in the U.S. economy. In 2016, pet owners in the United States spent \$66.75 billion dollars on pets and pet products (APPA, 2017). This number has been steadily increasing since 1994 and is projected to continue to increase (APPA, 2017). The first step to becoming a pet-owning household is acquiring a pet. Americans spent \$2.1 billion dollars on live animal purchases in 2016 (APPA, 2017). If pets are not purchased, animal shelters are often a source for acquiring an animal. Running even a non-profit animal shelter still requires money/funding in order to care for the animals, and requires fundraising or fees associated with adoption to cover costs such as vaccinations and other medical care, shelter, food, facilities, and management. An interdisciplinary approach, combining veterinary medicine, animal sciences, and economics is necessary to utilize methods traditionally used to analyze markets in order to understand the complexities of the non-traditional market, the market for the pet itself.

How households acquire dogs is a complex subject, which impacts pet industry sectors along with sheltering organizations and has implications for socially responsible and ethical pet ownership (Weiss et al., 2015). In a survey of U.S. residents, Bir et al. (2017), used both Likert Scale questions, and Best-worst methodology to examine respondent's perceptions of statements related to dog acquisition, and the most/least ethical ways to acquire a dog (Bir et al., 2017). Ways to acquire a dog included in the experimental design were adoption, purchased directly from a breeder on site, online purchase directly from a breeder, purchased from online retailer, purchased from pet store, stray, gift and other. In the random parameters logit model, respondents had the highest preference share (79%) for adoption, which indicated they perceived adoption was the most ethical way to acquire a dog. In order to further analyze the results, Bir et al. (2017) used a latent class model, and found that out of three total classes, two indicated adoption was the most ethical way to acquire a dog. There are many campaigns and messaging that indicates adoption is the only ethical way to acquire a pet (Sinski, 2016), and these respondents may have internalized these messages. However, pet stores may have agreements with shelters to showcase adoptable animals, and many breeders advertise animals that were bred specifically for sale as "ready for adoption", so respondent's beliefs regarding what constitutes adoption may not be consistent. Furthering understanding of perceptions of pet stores, adoption of animals (in this case focusing on dogs), and the potential intersection of these two industries (traditional pet retail/stores and animal sheltering) is imperative.



In order to further expand on research conducted by Bir et al. (2017), a survey of U.S. respondents that uses likert-scale questions as well as Best-worst modeling is being conducted to further examine adoption as a method of dog acquisition. The survey respondents will be obtained through Lightspeed GMI's opt-in panel database and will be targeted to be representative of the U.S. population, as defined in the U.S. census, in terms of gender, education, income, and geographical region of residence (annual estimates, 2015). The survey will be hosted online using Qualtrics an online survey tool. Methods of adoption included in the Best-worst experimental design will include adoption from a pet store, adoption from a breeder, adoption from a municipal animal shelter, adoption from a breed rescue, and adoption from a privately owned shelter. The results of this study will provide more information regarding respondents views on how ethical the different ways of acquiring a dog through adoption are. This information will be useful for various groups within the dog industry, as well as philanthropic organizations who promote adoption as a method of dog acquisition. If the respondent indicates they currently have a dog or recently had a dog, they will be asked a series of questions regarding how they have acquired their dog, as well as general dog care questions. These questions will be incorporated into the results of the Best-worst model to further examine if respondents behave in a manner that reflects their stated preferences, and if there is any connection between dog acquisition and canine care best practices. These results may help shed more light on possible connections between ethical dog acquisition and socially responsible pet ownership.

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Internal Marketing in Corporate Branding: Building Brand Commitment Among City Stakeholders to Mobilize the City Brand

Mehmet Cihan Yavuz¹, Solmaz Filiz Karabag², and Remziye Efe³

¹Cukurova University, Turkey

²Linkoping University, Sweden

³Balikesir University, Turkey

Abstract

Revisiting the corporate branding in the process of city branding has raised awareness of the vital function that city stakeholders perform in the corporate branding process. The literature review reveals that the city stakeholders' motivation and satisfaction takes precedence of customer orientation, and corporate strategy implementation/change management. As cities can be seen as a kind of service organization, delivering high service quality ensures city brands to attract more customers. In this point, city stakeholders are critically important components of the corporate brand and being ultimately responsible for delivering promise of city brand. Therefore city stakeholders need to share city brand's values with strong commitment to reveal "corporate" behavior supporting city brand. Such efforts to make city stakeholders to behave in commitment are characterized as internal marketing. Since each and every city stakeholders have different backgrounds and interests, internal marketing process becomes much more challenging in city branding. An interdisciplinary literature review including marketing, services marketing, corporate strategy, change management, service quality management, operations management, human resource management, and organizational development refers to internal marketing concept or internal customer concept. The literature has also revealed the importance of defining a clear corporate brand vision, and facilitating social interaction patterns. Developing strong brand commitment, ensuring trust between city stakeholders, and living values of city brand (brand citizenship behavior) can be mentioned as social interaction patterns. Especially having a clear brand vision, facilitating such social interaction patterns and considering internal customers, training and education, quality standards, and reward systems ensure to build ambition, commitment and corporate belonging amongst city stakeholders to ignite the city brand.

Keywords: city branding, corporate branding, organizational change, city stakeholder, internal marketing

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Investigating the Link Between Social Capital and a Costly Signal in a Microfinance Framework: Evidence From Mexico

Alecia Evans

Purdue University, USA

Abstract

Microfinance has been touted as an effective tool of poverty reduction through providing credit, insurance and savings to the poor who may otherwise lack access to more conventional credit channels. With the documented success of poverty alleviation of the Grameen Bank in Bangladesh, there was a thrust to implement similar formulations in other developing countries and a few developed countries in a bid to achieve similar results (Wahid, 1994). However, in the 2000s these schemes were heavily criticized particularly on ethical grounds. Some groups were found to be only financially successful by charging usurious interest rates and in some cases by using dubious lending and recovery practices (Hudon and Sandberg, 2013; Lewis, 2008 and Mader, 2013). Since then, microfinance schemes have evolved somewhat from the original concept of the Grameen Bank. Both the client base and product of microfinance have changed over time. Initially, it was believed that the strength of microfinance schemes came from its group structure where loans were disbursed based on joint liability. As schemes become more commercialized, there is a move towards penetrating urban markets to attract wealthier clients. This new structure popularized the individual liability structure resulting not only from the difficulties of implementing group liability in an urban setting, but also because wealthier clients prefer to be solely accountable for their repayment (Lutzenkirchen and Weistroffer, 2012). Now, approximately 90% of micro loans to higher income individuals is done using individual liability and the same is used for about 50% to low income clients (Lutzenkirchen and Weistroffer, 2012). The move towards individual liability makes redundant a heavy dependence on social capital for satisfactory repayment rates despite social capital being considered a key ingredient for the success of microfinance (Abbink et al., 2006; Ghatak and Guinnane, 199; Wydick et al., 2011).

Group lending models are typically characterized by joint liability where the group is responsible for repaying the loan if a member should default. This is an innovative way of extending credit in the developing countries since lending to the poor can be costly due to informational asymmetries. Group lending is assumed to be successful by exploiting the social capital that exists or is formed amongst members in a group characterized by a joint liability structure. The overarching assumption is that where market failures exist and informational asymmetries could be detrimental to loan repayments, the social capital can bolster repayment through social sanctions and peer pressure. The mechanisms through which this happens that theoretical models largely focus on are the mitigation of moral hazard and adverse selection issues. However, social capital does not always produce the desired effects on repayment (Besley and Coate, 1993). While groups may decide to repay the loan of a member whose investment is not profitable enough to prevent default, the entire group could also choose to default despite some members being able to repay the loan.

Empirical results also reflect these ambiguities in the role of social capital on repayment. Whilst some have established that social capital can improve repayment rates under group liability others have found evidence that the opposite holds true. Some empirical studies suggest that individual liability outperforms group liability, therefore suggesting little benefits to social capital. Others find no difference in repayment under group and joint liability. This could be as a consequence of informational benefits from joint liability being offset by other factors. The mechanisms that are suggested to reconcile these apparent inconsistencies are that the effect of joint liability may be weakened by small informational gains from group formation or from collusion within the groups. Gine et al. (2011) and Breza (2011) have shown how strong social capital can cause collusion and result in default even if some individuals were willing and able to repay their loans in India. Noting these inconsistencies, de Quidt et al. (2011) offered a scale for the conditions that renders social capital successful or ineffective. He asserts that joint liability works with moderate social capital, and individual liability is best when social capital is too high (where collusion outweighs informational gains) or too low (where joint liability is not conducive to better screening because of lack of information among group members). In keeping with de Quidt et al. (2011), to further resolve the ambiguities and inconsistencies in the empirical findings, in this paper, we formalize a non-linear relationship between social capital and repayment.

We also believe that introducing a costly signal can resolve some of these ambiguities as well. Few studies have shown the benefits of costly signal in boosting repayment rates in microfinance. Mahmud (2017) highlighted that in a joint liability settings, increased voluntary savings is used to signal borrower quality independent of groups, particularly if a borrower believes that the group they are involved in is performing poorly. So, individuals strategically timed their contributions through the loan cycle to increase the likelihood of future loans. That is, for borrowers who borrowed again, they make significantly higher contributions towards the end of the loan cycle. This is unlike other borrowers who tend to reduce their contributions at that period. Similarly, Opoku-Agyemang and Foltz (2012) suggest that savings signal credit worthiness. In a Ghanaian, they found that individuals who saved on a daily basis received about 300 Ghanaian cedis in loan than those with relaxed savings pattern. The idea is that the borrowers with savings schedules that require more effort are more credit worthy since it displays more fiscal discipline. Essentially, these findings imply that a costly signal serves the same purpose as social capital in a microfinance setting. It can be used to alleviate informational asymmetries by indicating borrowers' quality. In our analysis, we use the buying of additional insurance as a costly signal.

To our knowledge, the current literature has not formalized a relationship between social capital and signalling. In synthesizing the major arguments on the relationship between social capital and repayment and private signal and repayment, we propose a non-linear, U-shaped relationship between social capital and a costly signal. That is, *insurance is a weak signal with moderate social capital (since no signal is needed) but with low and high social capital the signal is effective*. That is, with all else constant, with low social capital, group members do not have enough in common to be able to enforce repayment through peer pressure or social sanctions. On the other hand, with high levels of social capital,



collusion and perverse loan granting can happen. Therefore individual liability is optimal and a signal is needed to alleviate informational asymmetries. As such, we wish to estimate a behavioural model to investigate if people recognize the benefit of a costly signal and if they use it as a complement or substitute to social capital. In essence we will investigate costly signalling decisions conditioned on the level of social capital in microfinance groups. To analyse our proposition, we investigate 940,000 unique borrowers across 1.5 million loans used in 2011 by the Compartamos Banco micro loan scheme in Mexico. This programme comprises of only female borrowers who form groups with 10 to 50 members. Borrowers are jointly responsible for the repayment of the group's loan despite each member being given an individual loan. All loans are pre-package with an insurance component but individuals have the option of buying additional insurance.

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Examination of E-commerce Tools of Online Travel Agencies and E-Commerce Websites: Developing a Toolkit for Independently-owned Hotel Websites

Yann Queckenstedt, Valerie Salter, Darwin Mann, Nelson Placa, and Young-A Lee

Iowa State University, USA

Introduction

In 2016, online purchases accounted for a significant portion of retail sales in the United States, totaling \$394.9 billion (Gesenhues, 2017). Since the widespread development and use of the Internet in the 1990s, the hospitality sector has narrowed the gap between tourism suppliers (e.g., Hotwire.com, Orbitz.com, Travelocity.com) and consumers. The simplification of direct booking of air travel, hotel accommodation, and ground transportation has altered the behavior of both tourism suppliers and consumers (Amaro & Duarte, 2015). In general, electronic commerce (e-commerce), defined as online transactions conducted by businesses and individuals (Morrish, 2015), provides many benefits to consumers. Driven by the expansion of Internet usage, e-commerce has enabled consumers to easily purchase products and services via online platforms (Mbatha, 2013).

E-commerce users choose websites based on the content and/or their needs for a product or service (e.g., an item purchase, information gathering) (Bargas-Avila, Brenzikofer, Roth, Tuch, Orsini & Opwis, 2010). E-commerce tools (e.g., customer service, search bar, product presentation) are needed and significant players in sales-driven websites because of the benefits in reaching new customers, driving sales, avoiding profit losses, communicating with consumers, and developing retail commerce (Bargas-Avila et al., 2010; Mbatha, 2013; Song & Zahedi, 2005). Online travel agencies (OTAs) are also sales-driven websites that employ mechanisms to enhance customers' purchasing intention of tourism products (Clampet, 2016). OTAs form a significant portion of e-commerce, accounting for nearly \$20 billion in hotel bookings in the United States (Gaggioli, 2015; Forbes Magazine, 2015).

Compared with other types of hotels, independently-owned hotels, a hotel with no association to any hotel chain that is independently owned and operated (Cabanas, 2014), face significant challenges in the tourism industry because of lacking national or international brand presence (Tanford, Raab, & Kim, 2013). One of the initial approaches for independent hotel proprietors to be competitive with the others would be designing their websites, which can clearly deliver their brand images and attract online consumers in dynamic business environments. It would be beneficial for the owners of independently-owned hotels to have guidelines when analyzing the effectiveness of their websites as an e-commerce platform. Examination of OTAs and e-commerce websites will be able to provide support in identifying the most efficient e-commerce tools for designing and evaluating independently-owned hotel websites.

Therefore, the purpose of this study was to develop a comprehensive toolkit of efficient e-commerce tools, which can be utilized to create sales-driven websites for independently-



owned hotels. For this comprehensive toolkit development, this study focused on examining the e-commerce tools of the top 25 international e-commerce and top 15 OTA websites and various e-commerce tools were discovered, which could have implications for the website design of independently-owned hotels. The toolkit under development may also be employed to optimize independently-owned hotel websites by analyzing the performance of their e-commerce tools.

Literature Review

For this study, a literature review was performed considering the topics of e-commerce tools, website design, online sales, and consumers' purchase intention. Internet sites are a profitable avenue for e-commerce, providing customer interaction and a means of communicating with consumers and the general public (Song & Zahedi, 2005). To attract and maintain consumer interest, a website must be adequately designed (Song & Zahedi, 2005). Website quality is a decisive factor in e-commerce as it heavily influences the customers' perceptions of brand quality and consequently influences their purchase intentions (Li, Peng, Jiang, & Law, 2017). Thus, if a website is well designed, consumers' purchase intentions (e.g., hotel room booking) will be positively impacted by the hotel's website.

A variety of factors can influence online hotel booking sales. Website quality creates a competitive advantage for hotel websites over OTAs (Liu & Zhang, 2014). User-generated online reviews have a significant effect on the online sales of hotel accommodation (Ye, Law, Gu & Chen, 2010). Consumer reviews, also known as electronic word-of-mouth (eWOM), can influence consumer purchasing behavior (Sun, Youn, Wu, & Kuntaraporn, 2006). eWOM appears in online platforms such as chat rooms, blogs, networks, and online reviews.

Online reviews included in OTAs play a key role in purchasing travel services by consumers (Nielsen, 2010). As consumers rely on online travel reviews to determine their purchases, it is essential for hotel owners to verify the sources of these reviews and understand their purchase intentions, the willingness of a consumer to purchase a specific product or service based on information (Mauri & Minazzi, 2013). Depending on the contents of the review (e.g., negative or positive), it may be one of the most influential factors determining consumers' purchase intentions, here hotel room booking.

Analyzing consumers' purchasing intentions is a challenging process due to the complexity of understanding human behaviors in our fast changing world dynamism. This presents an obligation for the hospitality industry and technology sectors to consider the use of socio-technical system design methods (STSM) in website design (Baxter & Sommerville, 2011). STSM addresses website design, sales and booking engine designs, and other platform designs, and also examines the manner in which human and social factors impact how tasks are completed and technical systems are used. The designs utilizing STSM are adequate to end-users (e.g., consumers booking hotel rooms and air transportation) and deliver a better return on investment to stakeholders (e.g., proprietors of hotels).

The placement of graphics and objects within a website can also influence consumers' perceptions and in turn, may influence their purchase intentions. Bernard (2002) conducted a study to assess common web objects of e-commerce websites by examining the following web objects: the shopping cart button, the login/register button, and the search engine. Bernard's study found the competitive advantage of placing the shopping cart button in expected locations in e-commerce websites.

In sum, this literature review presents the following factors' significant influence on consumers' online purchase intentions: website design, website quality, user online reviews, eWOM, graphic and object placement, and brand image. Because this study focuses on efficient e-commerce tools within hotel websites, it is necessary to examine the most current e-commerce tools used by the top e-commerce and OTA websites.

Methodology

For developing a comprehensive and useful toolkit for the competitive website design of independently-owned hotels, this study first focused on examining the highest ranked international e-commerce and OTA websites. The top 25 e-commerce sites were selected for this study, including Amazon.com, Apple.com, and Wal-Mart.com, among the Deloitte Touche Tohmatsu listing of the world's 50 largest e-commerce retailers in the fiscal year of 2015 (Deloitte Touche Tohmatsu, 2016). To find the most commonly utilized e-commerce tools of OTA's, a sample of the top 15 OTA websites including Bookit.com, OneTravel.com, and Expedia.com, were selected from a ranked list based on positive customer feedback (Gaggioli, 2015). A total of 40 websites were identified for the study sample, consisting of 25 of the top e-commerce websites and 15 websites of the top OTAs.

Researchers visited each of the identified top 25 e-commerce and top 15 OTA websites and examined their websites by focusing on website content, website design, and the product purchase process. From there, all e-commerce tools of each website were identified. The level of usage and intensity of each e-commerce tool was also noted and compared to other websites on the list. The second stage of this study involves the detailed analyses of the e-commerce tools embedded in independently-owned hotel websites using the toolkit developed from the 40 websites' analyses in the first stage of this study.

One option to ameliorate these inconsistent websites is to provide independent hotel owners with much-needed website structure and framework which could be provided by the development of a comprehensive e-commerce toolkit. The toolkit may also be used to test and analyze the effectiveness of the e-commerce tools of independently-owned hotels. The toolkit will include proven e-commerce tools similar to those that appear on the top 25 e-commerce and top 15 OTA websites.

Expected Results

It is expected that there will be a sizeable gap between the effectiveness of the e-commerce tools used by leading hotel companies and independently-owned hotels. Although independently-owned hotels may currently utilize some e-commerce tools on their websites, the tools are often not well integrated and executed. Significant optimizing potential exists for independently-owned hotel websites which, in turn, can translate into



increased online sales performance and higher revenue. Furthermore, we predicted that independently-owned hotel websites would less often utilize the effective e-commerce tools found in the top 25 e-commerce and top 15 OTA websites.

We examined the top 25 e-commerce and 15 OTA websites for this study and found the similarities of website content, website design, and e-commerce tools in each group. The analysis revealed several common and actively used e-commerce tools as follows: sign-in information, customer service, search bar, sales tools, product presentation, call to action buttons, pop-up windows, customer reviews, and payment process, which could be considered as influential in the online purchase process.

In fact, the findings have been facilitating the design of a toolkit based on the analyses of the characteristics of each individual tool found in the top e-commerce and OTA websites. The anticipated findings from this research will enable independently-owned hotels that use the toolkit to evaluate the performance of their hotel websites. The outcomes of the utilized toolkit will empower independently-owned hotel proprietors to optimize their websites and increase revenue. During the presentation of this study, we will share a comprehensive toolkit we have been developing and the procedure to implement this toolkit for the next stage of our study on examining the websites of current independently-owned hotels.

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The Development of Sharing Economy in the Age of Internet: A Study on Carpooling Applications

Ruheet Genc

Turkish German University, Turkey

Abstract

The term “sharing economy” is a phenomenon that born with the age of internet, although sharing is one of the fundamental traits of humankind from the beginning (Belk, 2014). The shift in consumption patterns is mainly based on increasing concerns over ecological, societal and developmental impacts of traditional economic relationships (Hamari et. al., 2015). As people become more aware of the adverse effects of older economic activities, they start to take economic decisions more collectively, leading to the birth of sharing economy as well as collaborative consumption. Like in numerous areas varied from accommodation to agriculture, sharing economy has its impact on transportation. Parallel to the invention of specific applications for smartphones, people have an opportunity to use carpooling services, in other terms drivers may reduce their costs by accepting travelers to their cars while travelers can travel with low fares rather than paying for tickets in the oligopolistic market of transportation (bus agencies, airline sector etc.). The intention of this manuscript is to reflect the importance of these newly developed carpooling applications in the economy. Starting with the theoretical basis of “sharing economy” practice, the technological progress will be discussed and then a robust model will be presented in order to depict the impact of carpooling applications at a macro level. As a result, the paper will show that carpooling applications are beneficial for the economy since they increase the options that people can choose, as well as forcing the transportation sector to increase their quality that they offer to the customers in order to maintain their economic gains, given the competitive nature of market.

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Third Stream Income as the Future Survival of South African Universities

Malefane Monyane

Tshwane University of Technology

Abstract

The paper focus on Higher Institutions of learning in South Africa future survival concerning the third stream income. Higher Education landscape in South Africa is surrounded by challenges which include orchestrated student uprisings on fees must fall. The cutting of Universities budgets by the Higher Education Authorities resulted into higher Institutions of learning being forced to rethink income avenues and strategies. South African Council of Higher Education released a document for good quality guide for practices for the quality management of a programme as one of the third stream income activity for commercialization. The CHE indicate that a central office should be responsible for co-ordination and governance purposes. Is in this light amongst other things that commercialization efforts will therefore be centralize and managed under the Business Enterprises (CHE, 2016). The Business Enterprises are dedicated to the establishment of a strong collaborative co-funding and distributive financial resource base for universities. This is done by identifying and exploiting business opportunities ranging from the conventional to novice innovative business ventures – in response to growing demands from internal and external stakeholders of the University, and with the ultimate aim of meeting current and future financial challenges of the University. As much as Universities in South Africa are increasingly being faced with a number of Financial Challenges, and if the third stream income is not maximized and implemented will escalate to financial bankruptcy. These challenges include but are not limited to the following:

- Fees must fall campaigns that became part of our Universities;
- Dwindling financial resources from government and traditional funding sources such as Donors and NGO's which is compounded by other factors both exogenous and internal to universities such as follows:
 - Continuously increasing competing needs for available funding between the academic, research, administration and other support needs;
 - The changing management style of modern day varsities also puts pressure on non-traditional areas as non- academics are increasingly being to join this sector;
 - The impact of changing Government policy on the funding formula for the tertiary education sector and
 - Increasing student numbers without a corresponding increase in the capacity of existing institutions to accommodate them with adequate resources & services.

This has particularly been so with the advent of democracy which has seen the previously disadvantaged majority now being able to access higher education and this has got the impact of exerting a lot of pressure on the financial position of most South African tertiary institutions.



The University stand to benefit from income due to the following:

- Dynamic Socio-Economic and Political Environments in the country;
- Positive developments in the economy such as National Development Programme and Higher education support for Historically Disadvantaged Institutions;
- Black Economic Empowerment Policy has created a new playing field for the tertiary education sector;
- The advent of democracy and the higher demands for Good Governance has also created a big need to support the public sector employees' training needs in areas such municipalities, and other governmental departments;
- Potential to leverage on competitiveness;
- Universities of Technology has got many pockets of excellence in the form of numerous Centers, Institutes and Technology Stations which could potentially be leveraged to realise financial benefits to the institution and
- The multi-campus set-up of universities presents many geographical advantages which could also be utilised effectively.

There are risks associated with implementing new business strategies in universities and are discussed as follows (BusinessTech 2017):

- Damage to reputation/brand: Since the Business Enterprises are associated with universities any reputational damaged will affect its services. Business Enterprises public relations should work hand in hand with universities Corporate and Marketing to enhance the image.
- Business interruption: During labour or student protests the business run a risk of operational interruptions. The Business Enterprises offices should be located outside the University premises.
- Economic slowdown/slow recovery: The country's economic slowdown will impact on the profitability of the business enterprises. The University should have a co-funding mechanism to assist business enterprises where necessary.
- Regulatory/legislative changes: The tax laws may change from time to time which will directly impact on the profitability of the business enterprises. The business enterprise should at all times be vigilant of any regulatory changes and comply accordingly.
- Increasing competition: Each and every organization have a competitor. The business enterprises will have to identify the market wants and needs and develop attractive service to attract customers including retaining them.

The functioning of such a Business Enterprise, within the current organisational structuring of universities, is based on a number of principles. These include:

- To ensure a clear balance between generating income and cutting down on expenditure across all sectors of the university.
- To ensure third stream activities coordination take place across the entire institution.
- To ensure the university participation in third-stream / co-funding initiatives driven by the EMC of the institution.



- To inculcate a new culture in the University of thinking and functioning as a entrepreneurial university.
- To ensure that a percentage of gross income / co-funding on all third stream projects are channelled to the distributable income of universities.
- The Business Enterprises needs to operate in close collaboration with all university structures including the Advancement and Partnership Office, Corporate Affairs and Marketing, the Teaching & Learning environment, Research & Innovation and support directorates.
- To develop the policy for third stream activities and co-funding for the university.

Universities are left with no choice but to consider one of the most important area of funding that is in the third stream activities which will contribute to expanding university budgets. In particular this includes maximising income streams through the establishment of a Business Enterprises, the development of strategies for increased third-stream income and initiating an Institutional Capital Campaign. The purpose of the paper is to identify strategies for maximizing third stream income in the South African Universities of Technology for future survival. The paper further made recommendations and conclusions based on the findings.

Keywords: third stream income, University of Technology, training, Contract Research; Innovation

Reference

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Foundations of Post-Keynesian Economics: Its Birth, Development and Current State

Ozlen Hic

Istanbul University

Abstract

In this article, we will first review the historical developments leading to the birth of Post-Keynesian Economics and then give the developments of Post-Keynesian Economics in terms of their assumptions and methodology, later on we will discuss the current state of Post-Keynesian Economics. Post-Keynesian school of macroeconomics was developed in the mid '80s as a reaction not only against New Classicals but also against New Keynesian economists because the assumptions and hence conclusions of the latter were not deemed Keynesian enough. Keynesian Economics was mainstream both in the USA and Europe, both in academic circles and in the field of implementation by governments and Central Banks from 1936 and WW II up to the '70s. The debate that took place during this period between Neo-Keynesian economists in the USA and Neo-Classical economists that led to the Neo-Classical Synthesis and the reaction of Orthodox Keynesian Economists in the UK to Neo-Classical Synthesis will be referred to later. Keynesian economics here embraces both Neo-Keynesian economists and Orthodox Keynesian economists as mainstream against the Traditional Classical and the Neo-Classical system.

Keywords: Post-Keynesian economics, birth of Post-Keynesian economics, development of Post-Keynesian economics, methodology of Post-Keynesian economics, current state of Post-Keynesian economics

Introduction

Developments in the '80s were called "*Counter Revolution*", reversing what Lawrence Klein in 1961 had called "*Keynesian Revolution*". Though M. Friedman had laid the foundations of Monetarism during the fifties it had remained a minority voice then and had become widespread also during the '70s in the US academic circles; it also found adherents in the UK and Europe. This event was called the "*Monetarist Counter-Revolution*" by Monetarists (Froyen, 1990). Thus, during the '70s though Keynesian macroeconomic policies were implemented low-key, Keynesian economics was on the demise and no more mainstream in the academic circles.

During the decade '80s economic policies began to be pursued that were in line with New Classicals and particularly Monetarists both in the USA and Europe by conservative governments that had come to power, foremost Ronald Reagan during 1981-89 and Margaret Thatcher during 1979-87. Thus, government budgets began to shrink and privatization programs were implemented in Europe. Despite the presence of high unemployment rates "*tight money policy*" was implemented. It was based on the assumption that the economy would automatically come to full-employment equilibrium (AFNE), or using the concept first introduced by Friedman, at the point of natural rate of unemployment (NRU), meaning automatic NRU equilibrium (ANRUE). To achieve price

stability along with ANRUE, therefore, Keynesian policies of raising aggregate demand, including monetary expansion had to be discarded, and Monetarist tight money policy implemented instead. But the proposition of ANRUE claimed by both New Classical and Monetarists did not materialize; unemployment persisted and even increased during the '80s. The failure of New Classical and Monetarist policies made Keynesianism mainstream once again in the academic circles and this movement was called "*Counter Counter-Revolution*" (Blinder 1988, Mankiw, 1990).

But criticisms coming from both Monetarists and particularly New Classical forced fundamental methodological and assumptive changes in Keynesianism since the '80s. The school that emerged in the USA is called "New Keynesian Economics". A brief review of these changes is highlighted below. But we should take the criticisms coming from Monetarists first both because of historical and also methodological reasons.

Friedman used Keynesian concepts and basically Keynesian macroeconomic analysis but with different elasticities and assumptions leading to the Classical conclusion AFNE, or in Friedman's terms, ANRUE.

Differences in Expectations: HEH, AEH and REH

Friedman rejected the Keynesian "Heterogeneous Expectations Hypothesis" (HEH). According to HEH, entrepreneurs predict prices correctly, but workers err in their expectations and systematically underestimate future prices; hence they fail to raise their nominal wages by the same rate of price increase. Instead, Friedman accepted "Adjusted Expectations Hypothesis" (AEH) which assumes that workers err in their price expectations only for one period. When AD is increased, say, by an increase in money supply, although prices (P_s) rise the workers would keep the nominal wage level (W_s) the same, leading to a fall in real wages and therefore an increase in employment (N). The economy, initially at NRU, will move away from NRU to a lower unemployment (UN) rate. But in the next period or the next short-run (SR), the workers would realize their mistake and raise the nominal wage by the same ratio as the rise in the P-level. This would bring the economy back to NRU again, with the increase in AD having only raised P_s and W_s (Friedman 1977; further explained in Blaug 1985).

In contrast, New Classical have accepted "Rational Expectations Hypothesis" (REH) which is a development of the assumption of the traditional Classical system of perfect knowledge of future prices both on the part of entrepreneurs and workers. REH implies more comprehensively that all economic agents can have access to information cheaply and can predict P_s accurately and with no time lag as Friedman assumes. Hence all agents will make rational, optimizing decisions concerning P_s , W_s , and quantities sold or demanded. There would certainly be individual errors in their decisions but these errors would not be systematic, hence tend to cancel each other. A simple summation of the optimizing equilibria of representative economic agents in microeconomic analyses and full coordination of all markets (Walrasian Auctioneer) would consequently also lead to ANRUE in macroeconomic theory; hence the rejection of Keynesian UNE. Moreover, any macroeconomic policy of raising AD, including an increase in money supply in order to raise employment would immediately lead to price rises. An anticipated economic policy



and its quantitative effects would be taken into consideration in the decisions of economic agents. Hence these policies would be futile and their effects on real parameters would be completely negated. This criticism by New Classicals of the futility of monetary policy was directed at Monetarists as well as Keynesian economists. M. Friedman, it should be remembered, had advised a non-discretionary and pre-determined rate of monetary expansion versus the Keynesian recommendation of a “discretionary” monetary policy (Blinder 1988, Mankiw 1990, Klamer 1984).

New Keynesian economists also decided to work with REH, discarding the Keynesian HEH. There were two reasons: The first was that the models they devised (*eg.* Fischer 1977; Taylor 1980) which worked with inflexible Ps and Ws but with REH still gave Keynesian UNE or NANRUE and Keynesian policies, when applied, were effective in alleviating unemployment. Obviously then the critical assumption leading to Keynesian UNE was P and W rigidities; REH was not the critical assumption although it is deemed so by New Classicals (Klamer 1984). Secondly the New Classicals would not open any discussion if REH was not accepted. Eager to enter into discussions with them, New Keynesian economists worked with REH (Blinder 1988).

Differences in Elasticities: LM and IS

Keynes, observing the depression period conditions, had assumed a flat (highly elastic) LM and a steep (highly in elastic) IS. Hence, he had argued that to move away from the depression and to reach full employment (FN), monetary policy would be ineffective while fiscal policy (preferably raising government expenditures rather than decreasing the tax rate) would be effective. Friedman also challenged this analysis and argued that LM is steep while IS is flat. This meant that according to Friedman monetary policy is effective and fiscal policy ineffective. And the effectiveness of monetary policy to raise N level lives only one period or SR (Froyen 1990). Friedman’s criticisms regarding the relative elasticities of LM and IS were later incorporated to Keynesian economics in a broader perspective. Namely, at low income levels and during depressions, as Keynes had pointed out, fiscal policy is effective. At high income levels and during recessions monetary policy would be more effective. For Keynesian economists, however, the effectiveness would not be confined to one period as Friedman argued but long lived (Branson 1989).

Differences in Long-run Phillips Curve: The Perpendicular LRPC vs. the Negatively Sloped LRPC

Friedman’s AEH had led to a family of short-run Phillips Curves (SRPCs) and a perpendicular long-run Phillips Curve (LRPC) at the NRU level, implying that the economy would always come to equilibrium at NRU due to AEH. Keynesian economists also accepted the presence of a family of SRPCs and a LRPC. The latter, however, is not perpendicular but simply steeper than the SRPCs. Thus, according to Keynesian economists, when AD is raised there will be a relatively big increase in N and a small increase in Ps in the SR. In the LR, the increase in N will be less and the increase in Ps bigger (Branson 1989). Yet AD will have raised N permanently even in the LR. A negatively sloped LRPC, steeper than SRPCs means, of course Keynesian economists still assume that workers err in their price expectations even for the LR. They do adjust their nominal wage somewhat in the LR but not by as much as P rises.

One serious criticism leveled at Keynesian economics by New Classicals concerned the very existence of PC, hence Keynesian macroeconomics. In the '70s two prominent New Classical economists, Lucas and Sargent (1978) noted that the PC had collapsed, and this meant failure of Keynesian economics "on a grand scale". Later, however, New Keynesian econometricians demonstrated that PC had not collapsed but was merely shifting upward and to the left due to the continuous price and wage rises and cost inflation throughout the '70s (Gordon 1985; see also Branson 1989, Blinder 1988).

Differences in Macroeconomic and Microeconomic Foundations: ANRUE vs. NANRUE

The most critical criticism levelled by New Classicals to Keynesian macroeconomics was that it lacked microeconomic foundations and its conclusion UNE was inconsistent with AFNE of microeconomic theory. Therefore, New Keynesian economists strived to lay the micro foundations for the Keynesian macroeconomics leading to UNE. Since New Classicals as well as New Keynesian economists had accepted Friedman's concept of NRU instead of FN we would term UNE, for the sake of convenience, non-automatic NRU equilibrium (NANRUE) (Klamer 1984, Blinder 1988).

The New Classicals had accepted the traditional Classical microeconomic theory and had discarded Keynesian macroeconomics.

The New Keynesian economists, in turn, accepted Keynesian macroeconomics and its conclusion UNE (NANRUE) and discarded the traditional microeconomic theory based on perfect competition, full flexibility of Ps and Ws, and perfect coordination between markets or the presence of the Walrasian auctioneer. Instead, they accepted imperfect competition, hence P and W rigidities, as well as lack of coordination between markets. P and W rigidities would lead to inadequacies in AD, hence to Keynesian unemployment (Blinder 1988, Mankiw 1990, Gordon 1990). Although the New Keynesian economists decided to work with REH, discarding the Keynesian HEH (the two reasons explained above), they devised many models working with P and W rigidities; all leading to lack of AD, hence to Keynesian UN at least in the SR if not in the LR (Mankiw and Romer, 1995a, 1995b). Many of these models or causes of P and W rigidities would produce Keynesian unemployment only in the SR and even then the effect would not be strong enough. Yet, these models were not mutually exclusive and many could work simultaneously at a given time and others would work at another time. Hence, the summed up result would be Keynesian unemployment of significant dimensions that could, however, be reduced by Keynesian recipes (Blinder 1988, Mankiw 1990). Keynesian recipes could be fiscal or monetary, depending on whether we have depression, a serious recession or a mild recession.

According to the New Keynesian economists, even if we had perfect competition in all markets and full flexibility of Ps and Ws, there could be lack of coordination between markets; a simultaneous and immediate adjustment of all markets to equilibrium Ps and Ws could not be possible. Hence we could again meet with Keynesian unemployment due to the absence of Walrasian auctioneer (eg: Cooper and John 1988). This problem was first taken up by Leijonhufvud (1973) but he had given too much weight to this factor in creating



Keynesian unemployment (Blaug 1985). For the New Keynesian economists P and W rigidities is the more important reason.

It should be stressed at this point that Keynes originally explained lack of adequate AD and UNE with uncertainty, and volatility and insufficiency of investments. Thus Keynesian UNE was not SR but LR as well. In contrast, New Keynesian economists accept P and W rigidities as the major cause of inadequate AD, hence Keynesian UNE. But their assumptions also lead them to accept that in the LR the economy would tend towards ANRUE (Arestis 1989, Davidson 1991). This, however, would take too long, therefore in actual practice Keynesian recipes will be implemented all throughout. This stand is not entirely new but was first accepted by old Keynesian economists or Neo-Keynesian economists in the USA during the '40s up to '60s (prominent members: Samuelson, Tobin, Solow, Modigliani and others). Indeed, in their discussions with Neo-Classicals at the time (prominent members: Pigou, Patinkin) they had agreed on the Neo-Classical Synthesis. Neo-Classical Synthesis visualized that AFNE would be reached by means of "Pigou effect" in addition to the Keynesian "Real Balance Effect" when Ps and Ws are lowered. But if in any SR a Keynesian unemployment due to inadequate AD arises, then because AFNE would take too long and be politically and socially tedious, implementation of Keynesian policies is recommended as in Patinkin in 1948, 1963 (Arestis 1994). The only difference is that Neo-Classicals who accepted the Neo-Classical Synthesis believed this to occur infrequently while Neo-Keynesian economists believed it would occur frequently, hence we would be implementing Keynesian policies continually, even continuously (Blinder 1988).

One important difference here is that Neo-Classical Synthesis, hence Neo-Keynesian economists worked with the Keynesian real balance effect and the Pigou effect for the LR AFNE. In contrast, New Keynesian economists stress imperfect competition, P and W rigidities as causing SR unemployment, and believe these rigidities will slow down or disappear in the LR leading to LR ANRUE.

The Birth of Post-Keynesian School

During the same period however, many British economists, who had worked with Keynes as a younger generation (eg: Harrod, Joan Robinson Kahn, Kaldor, Kalecki, Shackle, etc) were severely critical of Neo-Classical Synthesis and Neo-Keynesian economists who had accepted AFNE in the LR because this was, in essence, contrary to Keynesian teachings. These British economists who were more faithful to Keynesian assumptions and conclusions were, therefore, called "Orthodox" or "Fundamentalist Keynesian economists". Joan Robinson, a prominent "Orthodox Keynesian", in fact, criticised the views of US Neo-Keynesian economists as "Bastardized Keynesianism (see: Harcourt 1987). It is interesting to note here that Hicks had first started out as a Neo-Classical Synthesis economist and Neo-Keynesian, eg. in his celebrated article in 1937 that introduced the LM-IS. But in the '70's he converted to Post-Keynesian Economics, an outgrowth of Keynes and Orthodox Keynesian economists.

It should be underlined here that some New Keynesian models, such as the "Efficiency Wage" and "Hysteresis" models reach the Keynesian conclusion of unemployment

(NANRUE) both in the SR and the LR and are, therefore, called “Super-Keynesian models” (Blinder 1988). But these models work with REH. The former models accept a relationship between labor productivity and the real wage (Akerlof 1984, Yellen 1984, Weiss 1990). The latter, in the “Outsider-Insider relations model”, for instance, argue that when bargaining for wages labor unions are more concerned with raising the wages to satisfy their members who are already employed and are and less concerned with lower wages to expand employment because the unemployed are generally outsiders, *i.e.* not union members (Lindbeck and Snower 1986; reviewed in Blinder 1988, Mankiv 1995).

In the original Keynesian economics, both SR and LR unemployment stem from uncertainty and volatility and inadequacy of investments and it works with HEH not with REH. Therefore, although the conclusion of both SR and LR unemployment is similar, the major causes and assumptions leading to this conclusion are different in the Keynesian system as compared to the Super-Keynesian models.

All of the above explains why many Keynesian economists who felt nearer to Keynes’ original assumptions and conclusions were uneasy about New Keynesian economics and not only with the New Classical. A number of notable British economists, therefore, established in the UK during mid ‘80s what is called the “Post-Keynesian Economics” or the “Post-Keynesian school” (Prominent members: Philip Arestis, Malcolm Sawyer, J.A. Kregel, D. Laidler, Victoria Chick, H.P. Minsky, B.U. Moore, and others; see Arestis and Chick 1992). They were joined by a number of notable US economists (*eg.* A.S. Eichner, and Paul Davidson who was a student of Weintraub). Economists from many other countries also joined (*eg.* Marc Lavoie from Canada).

At first, a group among Post-Keynesian economists attempted to synthesize Keynesian economics with Ricardo and Straffa’s Ricardo. But this proved difficult and contradictory and was later discontinued (Holt). Many Post-Keynesian economists, including the US origin Post-Keynesian economists stressed uncertainty and the money economy as the major reason and back-ground for the working of Keynesian economics (Arestis 1994, Davidson 1991, 1994).

All Post-Keynesian economists believed in the conflict of interests between social groups rather than the Classical harmony of interests. Again, on the whole, Post-Keynesian economists influenced by a group of Orthodox Keynesian economists such as J. Robinson, Kaldor Kalecki, normatively have given a greater weight to improving income distribution compared to New Keynesian economists; but some gave even a heavier weight.

Post-Keynesian economists, like New Keynesian economists tried to establish microeconomic foundations of Keynes’ macro analysis and accepted imperfectly competitive markets, P and W rigidities and absence of the Walrasian auctioneer. Hence many micro models with P and W rigidities were shared. But for New Keynesian economists working with REH, P and W rigidities were the major reason for SR Keynesian unemployment while there would be a tendency to ANRUE in the LR. In contrast, for Post-Keynesian economists uncertainty and inadequacy and volatility of investments were the major reasons for Keynesian unemployment and it would hold for the LR of well as the



SR, P and W rigidities also produced Keynesian unemployment but it was the less important reason (Arestis 1994, Davidson 1991, 1994).

Development of Post-Keynesian Economics

Assumptions

Post-Keynesian economists, as noted above, worked with assumptions and hypotheses that were in line with Keynes' original teachings. But they also added some further assumptions that represented the real world better and that were not contradictory to or inconsistent with Keynes (Davidson 1994). A list of the major assumptions and hypotheses accepted by Post-Keynesian economists is presented below.

Heterogeneous Expectations

Post-Keynesian economists rejected REH advanced by New Classicals and accepted by New Keynesian economists as conspicuously un-Keynesian. Keynes had believed that entrepreneurs with access and material means to information could predict future prices correctly. But workers would systematically underestimate future prices in their wage decisions and not raise nominal wages by as much as price increases. This hypothesis, termed HEH, is accepted by Post-Keynesian economists too. The importance of HEH is that in the case of an increase in AD the ensuing fall in the real wage - both in the SR and LR - would enable an increase in N. This means that demand management can be an effective tool to combat Keynesian UN.

Although HEH is not theoretically very tidy there is evidence that it is the most realistic hypothesis compared to REH of New Classicals and New Keynesian economists and AEH of Monetarists (Rotemberg 1984; Lowell 1986).

Uncertainty

Uncertainty is a very important assumption in the Keynesian system. According to Keynes, it is impossible to predict future with any certainty for an entrepreneur who contemplates making an investment decision. We cannot extrapolate the future with data taken from the past because of future unknowns (Davidson, 1991, 1994). Though investment decisions make ample use of time series and cross-sectional data, the future cannot still be reduced to a set of probability measurements. Hence all investment decisions carry an amount of risk which is not measurable. Investment decisions are not only subjective but also depend on the overall business conditions and psychology about business conditions. Uncertainty also gives rise to and enhances the demand for liquidity.

This again contrasts sharply with the REH of New Classicals who because of REH reject uncertainty and believe that entrepreneurs on the whole would come up with correct "objective" predictions about future in terms of a set of probability measurements. Some individual entrepreneurs, however, may err subjectively away from "objective" expectations and predictions. This could lead to their bankruptcy. But this is to the social good because ineffective and "costly" entrepreneurs will be liquidated (Sargent and Wallace 1976). On the other hand, subjective errors would, on the whole, cancel each other since they are not systematic.

The uncertainty assumed by Keynes and hence Post-Keynesian economists also explains the volatility and inadequacy of investments which, in turn, is the major reason why we meet with unemployment and business cycles.

Imperfect Competition; Price and Wage Rigidities

Another major trait of the Post-Keynesian Economics is that following New Classicals and New Keynesian economists they too have gone into the microeconomic foundations of Keynes' macroeconomics. Like New Keynesian economists they too have rejected the assumptions of perfect competition, fully flexible Ps and Ws, and the Walrasian auctioneer. And along with New Keynesian economists they have accepted the presence of imperfectly competitive markets and the absence of the Walrasian auctioneer. Therefore, micro New Keynesian models stressing aspects of P and W rigidities or inflexibilities are also accepted by Post-Keynesian economists and *vice versa*. Post-Keynesian economists importantly dwelt on imperfectly competitive credit markets in addition to commodity and labor markets (eg. Moore 1986, Stiglitz and Weiss 1981).

Despite the fact that New Keynesian economists work with REH and Post-Keynesian economists with HEH many micro models are shared by both schools because they both assume that future predictions of entrepreneurs are correct while both schools accept that at least in the SR workers may err in their expectations. For Post-Keynesian economists this is true also for the LR.

The assumptions concerning REH, HEH and uncertainty, however, lead to major differences in the conclusions reached by New Keynesian economists vs. Post-Keynesian economists. For New Keynesian economists the major reason for lack of inadequate AD and the emergence of Keynesian UN arises from P and W rigidities. But this may be valid in the SR whilst in the LR these rigidities will tend to disappear and hence the economy will move towards ANRUE.

For Post-Keynesian economists who work with HEH and uncertainty the major reason for Keynesian UN is uncertainty and volatility and inadequacy of investments and NANRUE will be valid both for the SR and the LR (Arestis 1994, Davidson 1991, 1994).

P and W rigidities will also cause Keynesian UN, but according to Post-Keynesian economists these reasons are secondary. As was mentioned in the previous section, although the so-called "Super-Keynesian" models by New Keynesian economists, such as "Efficiency Wage" and Hysteresis" models also arrive at the conclusion of both SR and LR Keynesian UN they are different from the Post-Keynesian framework because these models too work with REH, as already mentioned in the first section of this work.

All this highlights a controversial debate between New Keynesian economists and Post-Keynesian economists. Post-Keynesian economists find New Keynesian economists not Keynesian enough because of their acceptance of REH, rejection of uncertainty, relying only on P and W rigidities and the absence of Walrasian auctioneer, and arriving at the conclusion of SR NANRUE but a tendency towards ANRUE in the LR, all contrary to Keynes' original assumptions, hence conclusions.



In contrast, Alan Blinder (1988) and other New Keynesian economists believe that Keynesianism means accepting that UNE arises due to Keynesian lack of adequate AD, hence New Keynesian economics, as its name implies, is Keynesian enough. For Blinder and others accepting LR tendencies towards ANRUE is a difference on the theoretical level only. It is not important in actual practice, because we would continuously meet with SR Keynesian UN and continuously implement Keynesian recipes to alleviate it. This is the same stand of Neo-Keynesian economists to a similar question that had arisen with respect to Neo-Classical Synthesis.

The Role of Institutions

Again following Keynes, Post-Keynesian economists assume that institutions play an important role in the economic decisions taken by economic agents as well as economic policies devised by the government. In the closed economy the more important institutions are mega corporations, labor unions and the government. For the open economy we should include international financial and other economic or otherwise political international institutions (Eichner 1976, Arestis 1994, Davidson 1994).

The New Classicals, following the traditional Classical system make an atomistic analysis. They take a representative economic agent, study its equilibrium, then arrive at the macro equilibrium or economic decision by a simple summation of the individual representative agent who is assumed to be rational and make an optimizing decision.

The New Classicals are not deterred by the presence of the above mentioned institutions because they assume that these institutions would only reflect the sum of optimizing decisions of all the economic agents involved. Thus the presence of institutions can be neglected and assumed away. Not so, however, for Post-Keynesian economists. For them, these institutions play a dominant role in shaping economic decisions and the decisions that are shaped with the help of these institutions do not necessarily reflect a simple summation of the optimizing decisions of the individual agents. Politics, social factors, public opinion would always have a large influence on the decisions taken by these institutions on behalf of their members. When government shapes its economic policies these factors, of course, have the largest influence (Arestis 1994, Davidson 1991, 1994).

The acceptance of the presence of institutions and their effects on economic decisions would make Post-Keynesian Economics again less tidy compared to the New Classical but certainly it is more realistic and represents the real world better (Eichner and Kregel, 1975).

Conflict of Interest and Income Distribution

Another important assumption concerning income distribution had been referred to in the previous section. New Classicals, following the traditional Classical system believed in the harmony of interest between functional groups as Adam Smith believed. Both workers and entrepreneurs would strive to maximize their own welfare or profit based on the self-interest motive. But competition conditions in the market will ensure that the ensuing market equilibrium would maximize the interest of both groups. According to Post-Keynesian economists, however, there is no such harmony but “conflict of interest” and a bargaining on the part of both groups through their institutions. It is hoped that both through

bargaining and through government policies we arrive at a decision that satisfies both groups concerned (Arestis 1994, Davidson 1991, 1994). Conflict of interest may be a more realistic assumption compared to the assumption of harmony of interest based on perfect competition. But Post-Keynesian economists, go further, they not only stress the importance of income distribution in their objective analysis but also normatively believe that improving income distribution has a high priority in the list of economic and social goals to be attained. This definitely places Post-Keynesian economists in the left to left-of-center of the political spectrum. In comparison, many New Keynesian economists are normatively less keen on this goal and they occupy a larger spectrum from left-of-center to center and even right-of-center.

International Trade (Open Economy)

Still another assumption by Post-Keynesian economists is that, again taking heed from Keynes and his active participation in devising the Post-World War II international financial institutions, all macro analysis and models should be open, that is, take into account international economic relations, hence international financial institutions as well. They argue that Keynes sometimes worked only with the closed model in order to explain his macro system in simpler terms (Arestis 1994, Davidson 1994).

Money Supply as an Endogenous Variable

Still another important assumption, hence a property of Post-Keynesian models is that the supply of money is considered endogeneous. In simple terms this means that when business picks up, firms apply to banks for credit; banks in turn, apply to the Central Bank as lender of last resort and the Central Bank feels obliged to expand credit to banks (Moore 1986, Arestis 1994, Davidson 1991, 1994).

In contrast, in most of the other schools of macroeconomics the supply of money is taken as an exogeneous variable determined by the government or monetary authorities. This latter approach highlights the use of monetary policy and its effects in a more pronounced way but is less realistic compared to the Post-Keynesian assumption of endogeneity. It should be stressed here that Keynes in his 1936 book which introduced his macroeconomic system had followed the traditional Classical system and hence also assumed that the amount of money was an exogeneous variable. But in his earlier work, the *Purchasing Power of Money* 1930, he had stipulated that money supply was an endogeneous variable. Thus, Post-Keynesian economists refer to this latter work rather than to Keynes' later *opus*. It should be stressed here that the assumption of endogeneous money does not mean that monetary policy may not be used. The government or monetary authorities may at any time they deem necessary, say in the case of a recession, may also strive to increase money supply exogeneously by means of lowering the interest rates, issuing paper money, or by lower Central Bank reserve ratios for bank credits.

Methodology

The main methodological traits of Post-Keynesian Economics can be summarized with the following points.



Microeconomic Foundations of Keynesian Macroeconomics

Firstly, as mentioned in the above section on assumptions, Post-Keynesian Economics, like New Keynesian, tries to establish microeconomic foundations of Keynesian macroeconomics and similarly it accepts imperfectly competitive markets and the absence of Walrasian auctioneer. Hence, again similar to New Keynesian economists, Post-Keynesian Economics uses partial analysis in devising micro models that explain P and W rigidities. The attempt to lay microeconomic foundations is a vast improvement over the “Hydraulic Keynesianism” as it is termed by Alan Coddington (1976) of staying only at the macro level, as was the case in Keynes. This should not, however, be considered a negative for Keynes. He was hard pressed with the 1929-34 depression to find a remedy for depressions and business cycles as quickly as possible. Thus he obviously had no time to go into the lengthily empirical analyses of laying the microeconomic foundations of all of his macro concepts and relationships. What is more remarkable is that, after Keynes introduced his macroeconomic system, econometric and empirical analyses made later showed that all the macro concepts and relationships Keynes had visualized were verified to be correct (Ackley 1963).

But, as had been criticized by New Classicals, surely microeconomic foundations for Keynes’ macroeconomic system had to be established and consistency of the conclusions of macroeconomic and microeconomic analyses had to be achieved.

Actual Historical Time Instead of Logical Time

Secondly, Post-Keynesian Economics deals with actual or historical course of economic events, with actual shocks and adjustment of the economy to these shocks over the actual course of time, or “historical” time. This is methodologically different from “logical” time and a logical study of equilibrium in case of a shock (Davidson, 1991, 1994).

We may, in this respect compare the case of an outside shock when we work with Walrasian general equilibrium and the movement over “time” to the equilibrium point in Walrasian methodology. Such a movement over time is purely “logical”, it has no relation to actual time and history.

Since Post-Keynesian Economics strives to read the movement of the actual economy and since it accepts more realistic but less theoretically tidy hypotheses such as HEH vs. REH, actual shocks and historical time vs. logical time as well as the effect of institutions on the decision of economic agents, the Post-Keynesian macro economics becomes further blurred. In contrast, New Classical economics is theoretically a very tidy paradigm. But Post-Keynesian economists have preferred to produce a realistic and relevant paradigm and would not shed relevance and realism of their paradigm in favor of theoretical tidiness (Eichner and Kregel, 1976).

Continuous Disequilibrium

The same properties of Post-Keynesian Economics also make it a study of continuous disequilibrium. Again when comparing it with New Classicals as antithesis, the New Classical economics and Walrasian general equilibrium is a study of logical equilibrium. If there is a shock that moves the economy away, the forces that would be emanated in the

economy would bring it back to the equilibrium point again over “logical” time. This is not the case in Post-Keynesian Economics. In Post-Keynesian Economics, in actual practice, there are always shocks occurring and the economy continuously adjusting. Hence the economy is continuously in disequilibrium due to these shocks. Keynes himself used simple macro-static analysis and equilibrium only in order to explain his macro system better. But in fact he believed in continuous shocks, adjustments, and disequilibrium.

Future Cannot Be Predicted

The same properties of Post-Keynesian models and methodology also mean that we cannot measure and predict the future with any certainty. Econometric models are not tools for the precise prediction of future. They will only show us what may happen when the parameters involved take some definite values or some quantitative policies are pursued (Davidson 1991, 1994). Therefore we should never hope to predict future with any certainty and we should never rely we can “fine tune” the economy in any precise manner. We may only have approximations to the goal chosen in implementing policies and revisions of policies again to move further approximately to a better point towards our goal in terms of say N or P. The belief of early Keynesian economists in fine-tuning in the ‘60s was therefore, too optimistic; “coarse-tuning” is the more realistic concept (Blinder 1988).

Basic Optimism

Post-Keynesian economists like most Keynesian economists, Keynes himself and New Keynesian economists, however, are all, in essence, optimistic. This means that Keynesian models are relevant, they realistically explain the causes of the problems that occur in the economy, say UN or inflation, and implementation of Keynesian policies will go a long way in alleviating or mitigating the problem, even if in some cases, we may not be able to remove it completely. In contrast, a very small number of New Keynesian economists, for instance, basically agree with the New Keynesian objective analysis and conclusions with respect to SR NANRUE but, may shun from recommending that government take any action against it. This is because normatively they may have little confidence in the government and believe that when the government formulates and implements policy it may give rise to more problems than those it wants to solve (Blinder 1988, Arestis 1994, Davidson 1994).

Attempts at Building a Post-Keynesian Macro Model

The models offered by Post-Keynesian Economics go hand-in-hand with New Keynesian economists with respect to micro level study of reasons behind P and W rigidities. As in the case of New Keynesian economics there are numerous models for every possible P and W rigidity, and these models are common for both Post-and New Keynesian. Post-Keynesian economists, however, have also stressed rigidities in the credit or finance market. They have also elaborated on the role of the mega corporations in raising prices and leaving the workers with under-estimated price expectations. This is not, however, necessarily a systematic error on the part of the workers, it is simply another reason for lower real wages in future. Many of these micro models are mutually inclusive, some, however, are mutually exclusive. New Keynesian economists rely on the combined effect of many mutually inclusive models taking place simultaneously or in procession to explain Keynesian unemployment. Post-Keynesian economists, however, rely more on



uncertainty, inadequacy and volatility of investments in addition to P and W rigidities expounded in the micro or sectoral models.

The New Keynesian economists have stopped thus far at the micro level models and have not come up with a macro-level model that carries the traits, properties, assumptions of the New Keynesian school. In contrast, Philip Arestis, a prominent Post-Keynesian, *et. al.* have come up with a macro model that does carry the main traits, properties and assumptions of Post-Keynesian Economics (Arestis, Driver, Rooney 1985/6, Arestis 1989 and Arestis 1992), Space does not permit us to go into its details because it would lead to an entirely new and lengthy article. But we should note here that one major reason why we have such a macro-level Post-Keynesian model is because Post-Keynesian economists are closer to Keynesian assumptions and this has enabled them to devise a macro model by making the basic Keynesian macro model a spring-board.

It is harder for New Keynesian economists, who work with REH, dismiss uncertainty, volatility of investments and accept a LR tendency of ANRUE to devise a “Keynesian” macro model that yields NANRUE.

Current State of Post-Keynesian Economics

In this last section an appraisal of Post-Keynesian Economics will be offered and its relevance will be evaluated. We agree with Post-Keynesian economists that realism and relevance are more important than theoretical tidiness. When policy recommendations of different schools are compared, their place in the political spectrum also acquires importance. The litmus test of a paradigm for relevance is whether it explains the causes of the major problem or problems of the economy accurately, and whether, when its policy recommendations are implemented, the problem or problems we are facing are removed completely, or are at least mitigated in due time. Our interpretation of the criterion of relevance, therefore, closely follows that of Blinder (1988). For a paradigm to be relevant in this sense, its assumptions and hypotheses must be realistic, and it must be comprehensive and consistent. In the previous section we have already noted that the assumptions and hypotheses behind Post-Keynesian Economics are most realistic compared not only to Monetarists and New Classicals but also the New Keynesian school. It is also comprehensive and consistent, though theoretically not as tidy as, say the New Classical. These should make Post-Keynesian Economics most relevant compared to other schools, including New Keynesian.

Still, however, we witness that at present New Keynesian school is more widespread and influential compared to Post-Keynesian. One possible reason is that the former school sprang up in the USA while the latter basically in the UK; and USA today is much more influential worldwide compared say to the times when Keynes lived. But this should not be the sole or even the major reason why Post-Keynesianism is less popular.

The reason which would likely explain the difference in popularity is that in their normative value judgments Post-Keynesian economists assign a heavy weight to improving income distribution while New Keynesian economists, on the whole, are less concerned with this goal. This is normal because in the UK and Europe the “social factor” is generally very



important and more widely accepted compared to in the USA. But what makes it difficult to achieve this goal, say by a direct increase of wages, social security and welfare measures is that since the '90s the world has entered a process of globalization; at least we have much greater liberalization of international trade and much greater international competition. This, in turn, requires that labor costs should be kept in control; particularly Europe – and Japan – should discard their lavish social welfare systems and make their labor market more flexible. The exigency of present day conditions, therefore, could cause many academicians, experts, administrators, politicians to shun away from Post-Keynesian Economics because of these normative values. In contrast, New Keynesian school does not emphasize the normative goal of improving income distribution as much as Post-Keynesian economists; they do so only more than the New Classical. Whether income distribution can and should be improved by means of improving the social welfare system, hence raising labor costs; or else whether international trade, competition and greater growth and employment with restricted social welfare system is preferable is a crucial point which needs to be carefully analysed. Therefore, to become more relevant to the exigencies of present day developments, the move to globalization, increased international trade and competition, Post-Keynesian economists should reduce their normative emphasis on the goal of improving income distribution through increased wages and social welfare. It should be pointed out that in this respect Post-Keynesian economists are generally more to the left of political spectrum than Keynes himself. Keynes had accepted that a higher wage would have the Classical effect of increasing labor costs and reducing employment demand. But it would also raise macro marginal propensity to consume, hence the level of aggregate demand, which in turn, would partly offset the Classical result. Similarly, Keynes argued a progressive income tax would have the same effect as it improves income distribution. These assertions and policy recommendations emanating from them place Keynes himself to the left of Classicals and within a range from center to left-of-center. In comparison, Post-Keynesian economists are in between the left-of-center and the left of political spectrum. This excludes American Post-Keynesian economists who are around left-of-center and do not go as far as left. So a less emphasis on the goal of improving income distribution on the part of Post-Keynesian economists under today's global economic conditions would not be un-Keynesian.

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